

**Exhibit 11:**  
**Previously filed under seal as Ex. 10 to**  
**N. Sugnet Declaration (Docket No. 129)**

**From:** Lee, Amy (Institutional Securities Management) <Amy.Lee@morganstanley.com>  
**Sent:** Friday, April 08, 2005 5:51 PM  
**To:** Shapiro, Steven (FID)  
**Cc:** Carson, Adam (Institutional Securities Management)  
**Subject:** Materials for 2pm Call  
**Attachments:** New.Century-207212-25201975.pdf; New.Century.Financial-289792-25744806.ppt; NEW\_CENTURY\_FINANCIAL-Business\_Plan-10-04-2004-35885-2573273.pdf

Steve,  
The attached are materials for the 2pm call regarding FRM Banks reviews. This should only take about 15 minutes. I will call you office at 2pm.  
Best,  
Amy

**From:** Lee, Amy (Institutional Securities Management)  
**Sent:** Tuesday, March 15, 2005 9:52 AM  
**To:** frm-newcenturyfinancial  
**Subject:** New Century 2005 FRM Business Plan

New Century FRM Team:

Per the e-mail sent from Kirk, Steve, and Craig earlier, attached is the 2005 FRM Banks business plan template for New Century. I have pre-filled in as much information as I could, including current revenue and team information. **Please pay particular attention to page 3, where specific ERM product marketing responsibilities have been outlined.** FRM business reviews will be focused this year on driving new business opportunities and producing incremental revenue, particularly in the ERM space.

As always, Captains are responsible for working with their FRM and FRM teams to fill out the business plan - Captains, for your reference a copy of the 2004 FRM Business Plan has been posted to the Client Team Message Board on the FRM Dashboard. I will be sitting down with each of the Captains over the next few weeks to go over the plan in more detail and provide assistance/answer questions. In the mean time, **please begin getting your teams together and preparing the plan in advance of the business reviews in late April/early May.** We have set up team e-mail groups (notice the "To" line of this e-mail) to assist you in communications over the coming months.

Thanks very much, and please let me know if you have any questions or issues.  
Best,  
Amy



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## **2004 FRM Business Plan**



PLEASE NOTE: This plan identifies major client opportunities across all divisions, including IBD. HOWEVER, MATERIAL, NON-PUBLIC INFORMATION IS NOT DISCLOSED IN THIS BUSINESS PLAN. Material, non-public information is information that (i) has not been widely disseminated to the public and (ii) has a substantial likelihood of being important to a reasonable investor in making an investment decision. If there are any questions regarding these general guidelines or you require specific guidance, please contact Eugene Kwon in FRM Legal (3+762-7330).

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FRM Business Plan

NEW CENTURY FINANCIAL

Overview

General Information

General Information	FRM Client	FRM Since	Revenue Rank	CRM Tier	Morgan Stanley Rank	ID	CRM Tier	Revenue Rank	CRM Tier	Revenue Rank	CRM Tier
NEW CENTURY FINANCIAL		05/10/2003	0	Not Available	12 of 3561	5	290 of 1347	5	2	290 of 1347	5

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4 October, 2004

2

**CONFIDENTIAL: PLEASE DO NOT DISTRIBUTE****FRM Business Plan****NEW CENTURY FINANCIAL****Overview****FRM Coverage Team****FRM Coverage Team**

Coverage displayed below reflects FRM assignments to this client. These individuals are included in all FRM team email and voicemail groups. These individuals are also included in the FRM PE process. Questions on coverage should be directed to the regional FRM Directors: Americas - Vanessa Chestnut, Europe - Charles Scott/Claire Bouleau, Taylor.

<b>Position</b>	<b>Name</b>	<b>Title</b>	<b>Email</b>	<b>Phone</b>	<b>Team Member Since</b>
FRM	McDonnell, Gail	MD	Gail.McDonnell@morganstanley.com	+1 212 761-1880	04/27/2004
Captain	Shapiro, Steven	ED	Steven.Shapiro@morganstanley.com	+1 212 761-2146	04/27/2004
FID Division Leader	Chai, Peter	MD	Peter.Chai@morganstanley.com	+1 212 761-1868	08/10/2004
FID Division Leader	Groesbeck, Jonathan	MD	Jonathan.Groesbeck@morganstanley.com	+1 415 576-2255	05/03/2004
IBD Division Leader	Binnie, John	MD	John.Binnie@morganstanley.com	+1 212 761-6666	04/27/2004
SPG Division Leader	Chai, Peter	MD	Peter.Chai@morganstanley.com	+1 212 761-1868	08/10/2004

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3

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**FRM Business Plan****NEW CENTURY FINANCIAL****Summary****Client's Strategic Issues****Client's Strategic Issues****Articulate the key financial challenges facing this client for this year and beyond.**

- New Century Financial Corporation ("New Century") reported record per share earnings of \$2.03 for 1Q04 with quarterly loan production of \$8.4 Bn. New Century increased their annual loan production target to \$36 Bn, increased 2004 EPS guidance to \$7.50 - \$8.00 and increased their quarterly cash dividend to \$0.20 per share from \$0.16 per share. They recently announced their decision to convert to a REIT structure and filed registration with the SEC to raise approximately \$750 million in common equity.
- Challenges: New Century faces challenges in growing its volume while maintaining margins in a very competitive market. Competition is already causing a reduction in profit margins and as the interest rate environment becomes less favorable, competition from traditional prime lenders (i.e. Countrywide) may lead to further erosion of profit margins.
- New Century also faces challenges in growing its capital base to support its portfolio growth strategy. New Century's goal is to have 50% of its earnings generated by portfolio income by 2005 and will require additional capital in order to achieve this goal. Market for raising capital is less favorable than a few months ago.
- Successfully managing from a C Corp to a REIT structure will also prove challenging given the need to manage cash between entities to ensure appropriate liquidity.
- Although we believe New Century can be self sufficient, REIT structure will likely make them more reliant on the equity capital markets to supplement the portfolio build out.

**Competitor Overview****Please summarize Morgan Stanley's competitive positioning, overall, and for each business area, (e.g. Who are my competitors? Where does Morgan Stanley stand?)**

SPG: New Century's primary business is originating and selling subprime mortgages. New Century sells approximately 80% of its originations as whole loans and securitizes the remaining 20%. Morgan Stanley has had the largest market share position with New Century for the last 3 years. For 1Q04 Morgan Stanley had a 58% market share followed by Barclays 16%, CSFB 12%, RFC 8% and Goldman 6%. Morgan Stanley expects year end market share to be 40-50% with CSFB the second highest market share expected to be approximately 15%. For year end 2003 Morgan Stanley had a 44% market share vs. CSFB 17%. UBS, RFC, Goldman and Bear all had market shares less than 10%.

SPG: Morgan Stanley is the largest secured warehouse lender to New Century with a warehouse line of \$1.5 Bn. Other large lenders include: UBS (\$1 Bn), Bank of America (\$750 Bn) and CDC (0.570 Bn)

IBD: Jointly leading REIT equity offering (not book running). Anticipate a follow-on offering within 12 months that we believe we will book run. Limited

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4

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**FRM Business Plan**

**NEW CENTURY FINANCIAL**

**Summary (Cont'd)**

**Relationship Plan**

strategic work.

GCM: Limited opportunities.

**Relationship Plan**

Please describe this year's as well as the long-term relationship goals for this client. Has a C-level client audit been conducted within the past two years? Discuss future credit requirements.

SPG: Morgan Stanley and New Century have a unique relationship in this sector. **Morgan Stanley is involved in almost every strategic decision that New Century makes in securitized products.** Morgan Stanley's market share has increased in each of the last 3 years, peaking in the 1Q04 with a 58% market share. Our goals for this year are to purchase \$1.0 - \$1.5 Bn of whole loans per month from New Century and have a market share of 40-50%.

- Morgan Stanley also has the largest market share on an agented basis of lead managed deals for New Century. Our goal is to maintain and grow our #1 market share position with the account.
- Morgan Stanley has multiple senior relationships at New Century including: Bob Cole, Brad Morrice, Ed Gotschall, Patrick Flanagan, Kevin Cloyd, and Patti Dodge. New Century is a very competitive account that SPG has worked hard to increase market share. Since most business is done in a competitive environment our market share could be jeopardized by accounts willing to pay more for New Century's loans than we are willing to pay.

IBD: Deepen points of contact to ensure frequent quality contact with the senior members of the firm listed above.

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4 October, 2004

5

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**FRM Business Plan****NEW CENTURY FINANCIAL****Goals / Accomplishments**

Division	2002	2003	2004 YTD	2004 Annualized	2004 Budget	2004 YTD / 2004 Budget	Variance	2004 Annualized / 2003
	\$7.7	\$20.4	\$21.0	\$28.0	\$11.5	182.6%	137.3%	
FDI	\$6.4	\$18.3	\$2.2	\$2.2	\$15.0	14.7%	12.1%	
IED	\$0.0	\$0.0	\$0.0	\$0.0	\$3.5	0.0%	0.0%	
Total	\$13.1	\$38.7	\$23.2	\$30.2	\$30.0	77.4%	78.0%	

**Market Share, Rank, Revenue and Profitability (Use of Resources) Goals**

FRMs are responsible for setting and achieving market share, rank, revenue and profitability (i.e. effective use of Firm resources) goals for each FRM client. Please discuss goals for this client overall and specific business unit goals. Identify key contingencies.

For 2004, SPG has a revenue goal of \$23.0 MM (gross revenue) equating to \$12-15Bn worth of ABS league table business and a wallet share of 40-50% of its ABS business.

- Morgan Stanley continues to expand market share with the account and has continued to maintain and protect our #1 market share position.

IBD: Clearly move to be the most logical provider of equity capital and develop trusted advisor status.

**FRM Best Practices**

FRMs are responsible for leading the innovation in solutions, content and process. Please describe any recent successes this team has had with clients that other teams can learn from. Please note best practices will be summarized for distribution to other FRM teams.

Morgan Stanley and New Century have a unique relationship in this sector. Morgan Stanley has set the standard in the ABS home equity market for "dealer shelf deals" (deals in which we purchase loans from third party originators and securitize them off of a Morgan Stanley ABS Shelf). Our stringent due diligence process has set our program apart from other dealers and has resulted in investors paying a premium in the form of tighter bond spreads for our transactions and better liquidity for our transactions. Morgan Stanley has worked with New Century to incorporate many of our due diligence best practices into their origination process resulting in a better whole loan product that they have offered to the market place.

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4 October, 2004

6

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## FRM Business Plan

NEW CENTURY FINANCIAL

## Action Items

BU	Strategic Opportunity / Challenge	Top Priority	MS Rev. (\$MM)	MS Prob. (%)	Due Date (Mo/Yr)	Main Client Contact	Morgan Stanley Responsibility	Tactical Next Steps	Status Update	Status Complete
FID	Flow agreement for subprime whole loans through December 2004	No	\$4.0	25.0%	Dec/04	Kevin Cloyd	Shapiro,Steven Groesbeck,Jonathan	Proposal submitted to client. Waiting on response	Most likely 2005 business. Company needs to meet REIT requirements for assets prior to focusing on future whole loan sales.	No
FID	ABS lead managed business	No	\$2.5	100.0%	Sep/04	Kevin Cloyd	Shapiro,Steven	Leading June deal. Will follow up on future deals after June deal closes.	Morgan Stanley successfully priced NCNET 2004-2 (\$1.2 Bn - June) and NCNET 2004-3 (\$2.4 bn - sept). The september transaction was the largest ABS transaction that New Century has ever done. Morgan Stanley was structuring lead on both transactions.	Yes
FID	Senior management dinner	No	\$0.0	0.0%	Jan/04	Bob Cole Brad Maurice Ed Goethall	Shapiro,Steven Groesbeck,Jonathan	Successful senior management dinner held Feb 2004. Next dinner either end of 2004 or 1st quarter 2005	Dinner currently scheduled for November.	No
IBD	Stay focused on equity offering and execute in first class way	No	\$6.0	90.0%	Sep/04	Bob Cole	Binnie,John	Execute	Deal was successfully priced on Oct. 1. Deal priced at \$58 / share. Size was \$ 780 MM pre-shoe, \$900 MM post shoe. Transaction 2x oversubscribed with approximately 80% inst / 20% retail.	Yes

	Total Potential (\$MM)	Probability Weighted Total (\$MM)
FID	\$6.5	\$3.5
GCM	\$0.0	\$0.0
IBD	\$6.0	\$5.4

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4 October, 2004

7

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**FRM Business Plan**

**NEW CENTURY FINANCIAL**

**Action Items (Cont'd)**

IED	\$0.0	\$0.0
OTHER	\$0.0	\$0.0
PENSN	\$0.0	\$0.0
SPG	\$0.0	\$0.0
TREAS	\$0.0	\$0.0
<b>Firm Total</b>	<b>\$12.5</b>	<b>\$8.9</b>

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4 October, 2004

8

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**FRM Business Plan****NEW CENTURY FINANCIAL****Relationships**

Contact Role	Business Card Title	Contact Name	Why This Person is Important to Morgan Stanley's Business	Comments / Event / Content Interests / Next Relationship Steps
Chief Executive Officer	Chairman of the Board and Chief Executive Officer	Cole, Robert K.	Role in M&A advice / Equity mandates / Co-founder of company and member of management team	Frequent interaction with Morgan Stanley
Chief Financial Officer	Vice Chairman & Chief Financial Officer Gotschall, Edward F.		Role in awarding whole loan business/ Role in M&A advice / Equity mandates / Co-founder of company and member of management team	Frequent interaction with Morgan Stanley
Chief Operations Officer	Vice Chairman, President & COO Morrice, Brad A.		Role in awarding whole loan business/ Role in M&A advice / Equity mandates / Co-founder of company and member of management team	Frequent interaction with Morgan Stanley

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4 October, 2004

9

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**FRM Business Plan**

**NEW CENTURY FINANCIAL**

**Content**

**Content**

Your team's answers to the following questions will be important in developing differentiating solutions and content for your client and Morgan Stanley. Your answers will be consolidated and reviewed by senior management. Themes will be discussed at an offsite. "I don't know" is an acceptable answer, but please consider adding this inquiry as a team action item.

**Lumpy Assets**

One of the biggest profit generators to the Firm is making markets in lumpy, hard-to-pry/move assets. Please identify any opportunities at this client as either a buyer or seller of lumpy assets (e.g., distressed loan portfolios, rescue financings, private equity assets, real estate holdings, hard assets such as planes or oil drilling equipment, etc.). If seller, please describe the nature of the assets to be sold. If potential buyer, please describe types of assets interested in and risk appetite.

Potential buyer of retail or internet based prime or subprime originator.

**China**

China has emerged as an important opportunity for investors and corporates globally. Please describe your client's sophistication and involvement either as an investor, manufacturer, supplier, or distributor to the Chinese economy. If your client has a clearly defined China strategy, what is it? If not, what uncertainties need to be resolved in developing a strategy?

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4 October, 2004

10